

## Spending Update Hannah Matthews

At the beginning of 2009, with the country facing the worst of the economic crisis, the president and Congress understood that Americans needed help paying for child care to get back to work in the recession. As part of the American Recovery and Reinvestment Act, they allocated an additional \$2 billion for the Child Care and Development Block Grant (CCDBG).

This paper provides analysis of state spending on child care assistance in FY 2009 (the most recent year for which data are available) covering the period of October 1, 2008, to September 30, 2009, as well as national trends in child care spending in recent years.

In FY 2009, states collectively received \$7 billion in federal CCDBG funds: \$2 billion in ARRA funds and \$5 billion in regular 2009 appropriations. Prior to ARRA, CCDBG had been flat funded for several years. Because ARRA funds were a one-time investment, federal funding for CCDBG dropped back to \$5 billion in FY 2010 (see Figure 1). Congress continues to debate FY 2011 funding. A bill passed in the House of Representatives would cut CCDBG funding by \$39 million.

The infusion of federal ARRA funds in 2009 helped many states, which faced budgetary pressure and increased need, avoid cuts in their child care programs.<sup>1</sup> Yet, despite the increase in federal spending on child care, state spending in FY 2009 declined slightly for the second consecutive year. Had ARRA funds not been available, this decline likely would have been even larger. Importantly, if federal cuts to CCDBG are enacted, states

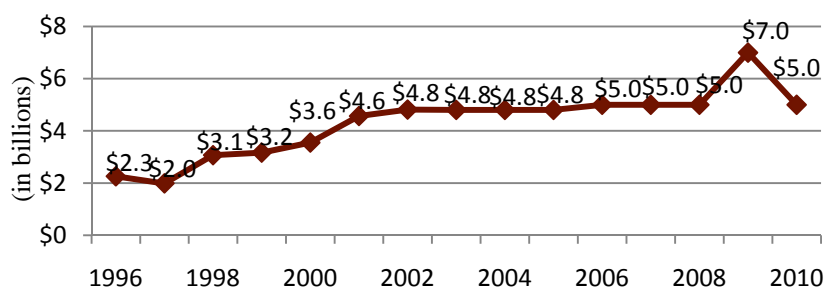
eventually will have no choice but to make additional cuts in their subsidy programs.

In addition to CCDBG, states use funds from the federal Temporary Assistance for Needy Families (TANF) block grant to provide child care assistance. States have the option of spending TANF funds directly on child care or transferring TANF funds to CCDBG.

States report CCDBG and TANF spending to the U.S. Department of Health and Human Services (HHS). This paper provides information on CCDBG and TANF child care funds spent from FY 2009. This paper is based on information that states report to the federal government and may differ from analyses based on state fiscal year expenditures.

By law, states have several years to obligate and liquidate CCDBG funds.<sup>2</sup> Therefore, some changes in spending in any state may reflect the timing of expenditures (in one federal fiscal year or another) and not necessarily real changes in the level of

**Figure 1. CCDBG Federal Funding, FY 1996 to 2010**



Sources: HHS data. Note FY 2009 includes \$2 billion in ARRA funding.

expenditures. Because CCDBG funds are available for several years after they are awarded, annual CCDBG *spending* is often higher than annual *funding* as states spend funds from several years' appropriations.

## Key Developments in 2009 Child Care Spending

This analysis calculates overall child care spending by tallying all funds a state spent during federal fiscal year 2009—including funds appropriated and spent in 2009 and those appropriated in prior years and spent in 2009.<sup>3</sup> Total child care spending (including federal and state CCDBG and TANF-related funds) decreased by \$205 million, or 1.6 percent, in 2009 to \$12.4 billion (see Figure 2). Total spending in 2009 included:

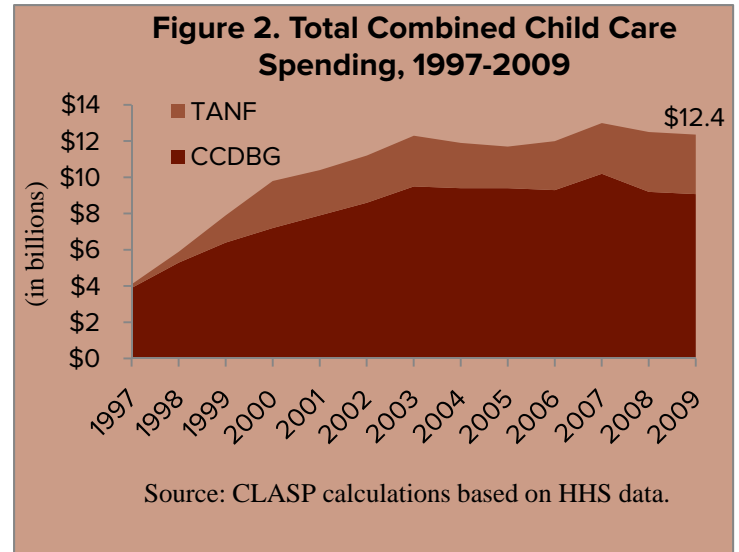
- \$9.1 billion in CCDBG funds—including liquidated TANF transfers to CCDBG, state CCDBG maintenance-of-effort (MOE) funds, and CCDBG funds appropriated in prior years but spent in 2009;<sup>4</sup>
- \$1.8 billion in TANF funds spent directly on child care; and
- \$1.5 billion in additional state TANF MOE funds.<sup>5</sup>

### Spending patterns show variation among states.

There was great variation in spending among states (see Appendix for state-by-state information). Overall changes in child care spending were the result of increases or decreases in either CCDBG and/or TANF spending in states.

#### Increases in spending:

- Eight states increased spending by more than 20 percent: Arizona (44 percent, or \$69.7 million), Delaware (33 percent, or



\$12.1 million), District of Columbia (34 percent, or \$24.1 million), Hawaii (36 percent, or \$18.2 million), Oklahoma (22 percent, or \$39.4 million), Oregon (28 percent, or \$28.9 million), Washington (29 percent, or \$83.3 million), and Wyoming (24 percent, or \$4.4 million).

- Nineteen states increased spending in both 2008 and 2009: Colorado, Florida, Kentucky, Louisiana, Minnesota, Missouri, Illinois, Indiana, New Hampshire, New Jersey, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Vermont, West Virginia, Wisconsin, and Wyoming.
- Eleven states increased spending for the third consecutive year: Colorado, Indiana, Louisiana, Minnesota, New Hampshire, New Jersey, Ohio, South Carolina, Vermont, Wisconsin, and Wyoming.

#### Decreases in spending:

- Three states made cuts of 20 percent or more: Connecticut (37 percent, or \$68.9 million), Georgia (27 percent, or \$79.8

million), and Montana (20 percent, or \$5.7 million).

- Six states made cuts in both 2008 and 2009: Arkansas, California, Idaho, Michigan, Rhode Island, and Virginia.
- Three states made cuts for the third consecutive year: Idaho, Michigan, and Rhode Island.

## CCDBG Spending

**CCDBG expenditures decreased nationally.** While states can fund their subsidy systems with multiple sources of funding, the primary source of funding is CCDBG. Looked at separately, in 2009, CCDBG expenditures decreased to \$9.1 billion—\$6.8 billion in federal funds and \$2.3 billion in state matching and MOE funds (including expenditures of funds appropriated in prior years).

Thirty-four states increased CCDBG spending, while 17 states decreased CCDBG spending. States drew down all available federal matching dollars with three exceptions: Alabama left \$9.2 million, Idaho left \$8.2 million, and Utah left \$11.9 million. These funds by law were returned to the Treasury and reallocated in 2010.

States are required to spend a minimum of 4 percent of CCDBG funds on initiatives that improve the quality of care. Spending on quality initiatives decreased slightly to \$661 million, or 7 percent of CCDBG expenditures.<sup>6</sup> In addition to the 4 percent requirement, additional funds are targeted for quality activities and improvements in infant/toddler care and school-age care. States spent a total of \$998 million on quality activities in 2009, or 11 percent of CCDBG expenditures, when including all targeted funds.

CCDBG allows states to spend funds over several years. In 2009, states spent \$1.1 billion in funds appropriated in prior years, or 13 percent of CCDBG expenditures. In recent years, prior year funds have comprised a smaller share of total CCDBG expenditures.

**ARRA funds staved off additional cuts.** Of the \$9.1 billion states spent in CCDBG funds, \$262 million (or 3 percent) were ARRA funds. Without these funds, state expenditures would likely have declined even further and an additional seven states would have been added to the list of those making cuts. States had until September 30, 2010 to obligate their ARRA dollars and an additional year to spend them. All states met the obligation deadline and as of February 25, 2011, states had spent approximately 88 percent of funds. States have until September 30, 2011 to spend the remaining funds.<sup>7</sup>

## TANF Spending

**More TANF funds were used for child care.** Federal TANF funds used for child care increased in FY 2009 for the third year in a row. Nationally, states used approximately \$3.5 billion in TANF funds for child care in 2009, about \$212 million more than in the previous year, or a 6 percent increase. States may spend TANF funds directly on child care, usually in the form of vouchers given to parents; they may also choose to transfer up to 30 percent of their annual TANF block grant to the Child Care and Development Block Grant (CCDBG) or to a combination of CCDBG and the Social Services Block Grant (SSBG).

TANF funds spent directly on child care increased from \$1.6 billion in 2008 to \$1.8 billion in 2009. TANF transfers to CCDBG increased slightly from \$1.68 billion in 2008 to \$1.72 billion in 2009. No

state transferred the maximum amount of 30 percent of TANF funds. Thirteen states transferred between 20 to 29 percent of their TANF funds to a combination of CCDBG and SSBG: Delaware, Florida, Idaho, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Mississippi, Missouri, Rhode Island, Vermont, and Wisconsin (see Table 1).

States are required to meet a MOE requirement in the TANF program. States spent \$2.3 billion in state MOE funds on child care in 2009. This was a decrease of \$267 million compared to 2008. It may be that all, or a portion, of the increase in state MOE spending reflects accounting issues, rather than a real change in spending; however, it is not possible to determine through available national data. A portion of TANF MOE funds spent on child care may also be directed toward states' CCDBG MOE requirement. States are permitted to count child care expenditures toward both CCDBG MOE and TANF MOE requirements. CLASP's analysis of total child care spending excludes funds that "double counted" as CCDBG and TANF MOE and only includes excess TANF MOE spending.

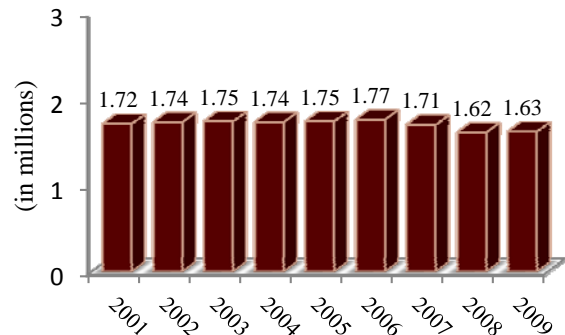
## Children Served

According to preliminary data, the average monthly number of children receiving CCDBG-funded assistance (including TANF transfers) remained at 1.6 million in 2009.<sup>8</sup> The number of children served through CCDBG has fallen from a high of 1.8 million children in 2006 (see Figure 3). Twenty-four states served more children in 2009 than in 2008, while 23 states served fewer children and 4 states served the same number.

States do not report to the federal government the number of children served in direct TANF-funded child care. HHS estimates that 2.5 million children receive child care assistance through all sources, including CCDBG, TANF, and SSBG.<sup>9</sup> HHS

estimates that 17 percent of eligible families received child care assistance in 2006.<sup>10</sup>

**Figure 3. CCDBG Average Monthly Number of Children Served, 2001-2009**



<sup>1</sup> Karen Schulman and Helen Blank, *Supporting Affordable, High-Quality Child Care with American Recovery and Reinvestment Act Funds*, National Women's Law Center, 2010,

<http://www.nwlc.org/sites/default/files/pdfs/SupportingStateChildCareEffortsWithARRA.pdf>.

<sup>2</sup> See Hannah Matthews, *CCDBG: What's in the law?* CLASP, 2009, <http://www.clasp.org/publications/ccdbginbrief.pdf>.

<sup>3</sup> CCDBG is comprised of several funding streams, each with its own expenditure rules; all funds are not required to be spent in the year they are awarded. For a description of CCDBG funding streams see CLASP's *Notes on Child Care Spending Analysis*,

[http://www.clasp.org/publications/ccspending\\_notes.pdf](http://www.clasp.org/publications/ccspending_notes.pdf).

Analysis of expenditure data based on state fiscal years may differ from the analysis presented here. CLASP analysis is based on U.S. Department of Health and Human Services (HHS), Administration for Children and Families *CCDF Expenditure Data*,

<http://www.acf.hhs.gov/programs/ccb/data/index.htm>

(Spending from All Appropriation Years) and *TANF Financial Data*, <http://www.acf.hhs.gov/programs/ofs/data/index.html> (Tables, A, B and C). For the purposes of this paper, we count the District of Columbia as a state.

<sup>4</sup> To calculate state expenditures on child care, we sum all funds a state spent during federal fiscal year 2009, including funds appropriated in prior years.

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<sup>5</sup> This excludes \$854 million that may be “double counted” as CCDBG MOE and TANF MOE. Total TANF MOE spent on child care was \$2.3 billion in 2009.

<sup>6</sup> Compliance with this requirement is assessed at the end of the liquidation period.

<sup>7</sup> Office of Child Care, *ARRA Child Care and Development Fund (CCDF) Summary Data, as of September 30, 2010*, and HHS, *Weekly Financial and Activity Reports*, <http://www.hhs.gov/recovery/reports/index.html#weekly>.

<sup>8</sup> HHS, Administration for Children and Families, Child Care and Development Fund Statistics, *FY 2009 CCDF Data Tables (Preliminary Estimates)*, <http://www.acf.hhs.gov/programs/ccb/data/index.htm>.

<sup>9</sup> HHS estimates an annual cost per child based on state-reported administrative data on the average monthly amount paid to providers and the average family co-payment for care. The average cost per child is applied to all TANF-related funds as there is no quality requirement for TANF-funded child care.

<sup>10</sup> HHS, ASPE, *Estimates of Child Care Eligibility and Receipt for Fiscal Year 2006*, <http://aspe.hhs.gov/hsp/10/cc-eligibility/ib.shtml>.

**Table 1. FY 2009 TANF Transfers**

State	Percent of FY 2009 Grant Transferred to CCDBG	Percent of FY 2009 Grant Transferred to SSBG	Total Percent of FY 2009 Grant Transferred
Alabama	2%	8%	10%
Alaska	10%	5%	15%
Arizona	0%	8%	8%
Arkansas	3%	0%	3%
California	0%	9%	9%
Colorado	11%	5%	16%
Connecticut	0%	10%	10%
Delaware	14%	6%	20%
Dist. of Columbia	0%	3%	3%
Florida	18%	9%	27%
Georgia	0%	0%	0%
Hawaii	9%	5%	14%
Idaho	18%	3%	21%
Illinois	0%	7%	7%
Indiana	14%	1%	15%
Iowa	16%	8%	24%
Kansas	15%	5%	20%
Kentucky	22%	0%	22%
Louisiana	16%	8%	24%
Maine	0%	3%	3%
Maryland	2%	6%	8%
Massachusetts	15%	8%	23%
Michigan	9%	7%	16%
Minnesota	8%	1%	9%
Mississippi	14%	7%	21%
Missouri	10%	10%	20%
Montana	9%	2%	11%
Nebraska	18%	0%	18%
Nevada	0%	2%	2%
New Hampshire	5%	3%	8%
New Jersey	15%	3%	18%
New Mexico	17%	0%	17%
New York	13%	6%	19%
North Carolina	13%	2%	15%
North Dakota	0%	0%	0%
Ohio	0%	6%	6%
Oklahoma	12%	6%	18%
Oregon	0%	0%	0%
Pennsylvania	16%	3%	19%
Rhode Island	16%	8%	24%

<b>South Carolina</b>	0%	3%	3%
<b>South Dakota</b>	0%	5%	5%
<b>Tennessee</b>	12%	2%	14%
<b>Texas</b>	0%	4%	4%
<b>Utah</b>	0%	4%	4%
<b>Vermont</b>	19%	10%	29%
<b>Virginia</b>	8%	9%	17%
<b>Washington</b>	16%	1%	17%
<b>West Virginia</b>	0%	6%	6%
<b>Wisconsin</b>	17%	4%	21%
<b>Wyoming</b>	0%	0%	0%
<b>U.S.</b>	8%	6%	14%

## Appendix. State Child Care Expenditures (CCDBG and TANF Combined) and Monthly Average Number of Children Served (CCDBG), 2008-2009

See [CLASP Website: In the States](#) for state spending and participation data from 2001 to 2009.

State	Total Child Care Spending (TANF and CCDBG) FY 2008	Total Child Care Spending (TANF and CCDBG) FY 2009	Dollar Change	Percent Change	Average Monthly Number of Children Served (CCDBG only) FY 2008	Average Monthly Number of Children Served (CCDBG only) FY 2009	Difference in Number of Children Served
Alabama	\$125,356,509	\$104,310,023	-\$21,046,486	-17%	31,900	26,800	-5,100
Alaska	\$36,110,183	\$42,132,921	\$6,022,738	17%	3,500	3,300	-200
Arizona	\$157,792,082	\$227,442,087	\$69,650,005	44%	32,100	32,700	600
Arkansas	\$74,034,396	\$65,490,997	-\$8,543,399	-12%	9,600	7,900	-1,700
California	\$2,087,896,330	\$1,751,525,728	-\$336,370,602	-16%	105,400	106,900	1,500
Colorado	\$126,213,787	\$127,416,433	\$1,202,646	1%	18,900	17,700	-1,200
Connecticut	\$188,136,372	\$119,194,690	-\$68,941,682	-37%	9,400	9,900	500
Delaware	\$37,137,528	\$49,252,754	\$12,115,226	33%	6,000	6,000	0
D.C.	\$70,278,057	\$94,393,414	\$24,115,357	34%	2,000	1,500	-500
Florida	\$698,740,567	\$709,824,991	\$11,084,424	2%	101,000	104,800	3,800
Georgia	\$290,822,017	\$211,041,659	-\$79,780,358	-27%	54,000	54,700	700
Hawaii	\$50,237,361	\$68,456,911	\$18,219,550	36%	10,400	12,000	1,600
Idaho	\$29,571,547	\$27,966,785	-\$1,604,762	-5%	7,900	7,400	-500
Illinois	\$715,476,815	\$770,710,866	\$55,234,051	8%	68,300	68,000	-300

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Indiana	\$189,173,776	\$192,263,324	\$3,089,548	2%	36,100	34,900	-1,200
Iowa	\$107,679,219	\$126,681,328	\$19,002,109	18%	15,300	15,100	-200
Kansas	\$102,255,227	\$98,178,356	-\$4,076,871	-4%	21,500	20,900	-600
Kentucky	\$185,950,471	\$194,651,466	\$8,700,995	5%	31,200	30,900	-300
Louisiana	\$148,090,386	\$154,136,445	\$6,046,059	4%	45,300	46,600	1,300
Maine	\$30,954,775	\$33,449,042	\$2,494,267	8%	3,100	2,600	-500
Maryland	\$144,507,594	\$159,965,940	\$15,458,346	11%	24,400	24,400	0
Massachusetts	\$434,338,304	\$470,961,368	\$36,623,064	8%	23,100	24,800	1,700
Michigan	\$432,080,311	\$366,771,570	-\$65,308,741	-15%	70,900	71,800	900
Minnesota	\$207,369,765	\$216,363,744	\$8,993,979	4%	24,800	22,400	-2,400
Mississippi	\$81,993,801	\$84,465,124	\$2,471,323	3%	25,400	27,100	1,700
Missouri	\$189,561,721	\$196,381,794	\$6,820,073	4%	35,900	36,400	500
Montana	\$28,293,004	\$22,594,460	-\$5,698,544	-20%	4,500	4,000	-500
Nebraska	\$81,228,369	\$92,901,392	\$11,673,023	14%	11,100	13,000	1,900
Nevada	\$57,761,989	\$56,688,034	-\$1,073,955	-2%	6,300	5,200	-1,100
New Hampshire	\$36,687,634	\$37,265,515	\$577,881	2%	7,700	7,200	-500
New Jersey	\$263,455,279	\$281,228,201	\$17,772,922	7%	35,800	35,800	0
New Mexico	\$78,158,710	\$82,512,108	\$4,353,398	6%	20,400	22,500	2,100
New York	\$974,806,179	\$848,435,752	-\$126,370,427	-13%	116,400	120,700	4,300
North Carolina	\$427,079,532	\$462,018,793	\$34,939,261	8%	74,000	72,100	-1,900
North Dakota	\$14,092,312	\$13,130,737	-\$961,575	-7%	4,100	4,000	-100
Ohio	\$623,645,274	\$628,019,717	\$4,374,443	1%	48,200	51,700	3,500
Oklahoma	\$181,894,714	\$221,290,946	\$39,396,232	22%	24,700	22,600	-2,100
Oregon	\$102,553,346	\$131,465,565	\$28,912,219	28%	22,700	22,000	-700
Pennsylvania	\$708,639,288	\$681,218,768	-\$27,420,520	-4%	93,400	93,900	500
Rhode Island	\$49,008,221	\$43,439,959	-\$5,568,262	-11%	6,000	6,100	100
South Carolina	\$83,023,704	\$94,332,029	\$11,308,325	14%	21,300	20,400	-900
South Dakota	\$16,406,279	\$15,640,030	-\$766,249	-5%	5,100	5,100	0
Tennessee	\$226,628,436	\$243,692,374	\$17,063,938	8%	42,700	45,700	3,000
Texas	\$575,469,964	\$570,173,694	-\$5,296,270	-1%	120,500	121,600	1,100
Utah	\$67,017,952	\$63,517,294	-\$3,500,658	-5%	12,500	10,000	-2,500

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Vermont	\$36,492,750	\$36,933,329	\$440,579	1%	3,500	4,800	1,300
Virginia	\$184,506,015	\$180,550,193	-\$3,955,822	-2%	23,900	24,000	100
Washington	\$286,725,963	\$370,040,614	\$83,314,651	29%	48,400	46,400	-2,000
West Virginia	\$55,905,477	\$62,587,954	\$6,682,477	12%	8,300	7,000	-1,300
Wisconsin	\$381,699,859	\$384,865,364	\$3,165,505	1%	28,000	31,300	3,300
Wyoming	\$18,698,993	\$23,124,897	\$4,425,904	24%	4,400	4,500	100
<b>U.S. Total<sup>1</sup></b>	<b>\$12,563,850,693</b>	<b>\$12,358,787,805</b>	<b>-\$205,062,888</b>	<b>-2%</b>	<b>1,622,600</b>	<b>1,629,300</b>	<b>6,700</b>

<sup>1</sup> Total spending figures include U.S. territories and therefore do not equal the sum of state expenditures shown here.